

Carl Peter Rautenstrauch

June 15, 2006

Federal Trade Commission/Office of the Secretary, Room H-135 (Annex W)
600 Pennsylvania Avenue, NW
Washington, DC 20580

Re: Business Opportunity Rule, R511993

Dear Sir or Madam:

I am writing this letter to express my most strong opposition to the proposed Business Opportunity Rule R511993. I understand and fully appreciate that it is the responsibility of the Federal Trade Commission to protect the public from "unfair and deceptive acts or practices," but the rule as proposed would make it very difficult for me to operate my business as a Shaklee Independent Distributor.

One of the most confusing and burdensome sections of the proposed rule is the seven-day waiting period to enroll new distributors. Most of the people who sign an application do so to purchase Shaklee products at a wholesale price, like joining at a Sam's or Costco. A Shaklee membership reduces the retail price by 15% and provides members with special offers for only \$19.95. This is similar to my membership at Barnes and Nobel where I purchase a \$25 member card (no member kit) and receive 10% off purchases and notification of specials. Will Barnes and Nobel be saddled with the same or similar requirements in the future? The majority of Shaklee members are solely consumers of the products. If they later wish to build a business, all they must do is supply Shaklee Corporation with their Social Security Number or Tax Identification Number. There is no additional kit, fee or application required. As already mentioned the Shaklee Member Kit costs only \$19.95. This is far less than many, if not most, consumer purchases, from TVs to all manner of household appliances, none of which require a seven-day waiting period. In addition, the seven-day waiting period is unnecessary in that Shaklee Corporation already has a 90% buyback policy for products, including the Member Kit, purchased by a distributor within the last two years.

The proposed rule requires the disclosure of a minimum of 10 prior purchasers nearest to the prospective purchaser. There are many problems with this proposed requirement. In this day of identity theft, I am uncomfortable giving out the personal information of other Shaklee distributors, without their knowledge or consent, to strangers. This requirement would also seem to be in conflict with other federal regulations regarding privacy. I understand that those who sign up after the rule takes effect would be told in writing "If you buy a business opportunity from the

seller, your contact information can be disclosed in the future to other buyers." Does that mean that when I was teaching all I had to do to post final grades outside my office was to inform students that if they were in my class I would do so? (I don't think so.) I believe that this would dissuade new people from signing up as distributors as they are concerned not only about identity theft, but also about their privacy (I would expect the same to be true if the regulation were applied to the Barnes and Nobel membership). People today are understandably reluctant to share their personal information with individuals they may never have met.

Providing the ten references also could damage the businesses of numerous Shaklee distributors. Lower ranking distributors often are involved in more than one direct selling company. Providing a list to a potential recruit, who may already be a distributor for a competing direct selling company, may be an invitation to solicit existing distributors for such other opportunity.

The ten reference requirement also is an administrative burden. In order to obtain the list of 10 prior purchasers, I will need to provide Shaklee Corporation with the prospective distributor's address, and then wait to receive the list of the 10 nearest distributors who became distributors within the past three years. Each prospective recruit will need a customized disclosure statement. This will result in a delay far longer than seven calendar days before any potential recruit can sign an application. In view of the fact that many people enter direct selling part-time to earn extra income for a specific goal, such as holiday purchases or a family vacation, the long wait which the proposed rule will entail may make the goal unattainable.

The proposed rule calls for the release of any information regarding lawsuits that allege misrepresentation, or unfair or deceptive practices over a ten-year period. It does not matter if the company was found innocent or not liable. Today, almost all business lawsuits contain claims of misrepresentation or unfair competition. It does not make sense to me that I would have to disclose these lawsuits unless Shaklee Corporation, or its officers, directors or sales department employees, had been found guilty or liable. (What has become of the need to be proven guilty?) Further, fifty-year old stable companies with fine useful products, such as Shaklee Corporation and their distributors, would be placed at a disadvantage compared to start-up direct selling companies, which may not yet have experienced allegations but which are actually far more likely to have legal issues surrounding their opportunities.

I have been a Shaklee Distributor for more than 27 years. Originally, I became a Shaklee Distributor because I could purchase the Company's personal care and household products wholesale. I saw the business as interesting but was disappointed that about 80% of sales at that time were nutritional products. So I tried the nutritional products just to satisfy myself that they would not be of use to

me. I planned to get my money back and forget it. On the contrary I actually found the nutritional products gave me a new feeling of vitality I had never expected to experience again. Boy, was that great! I continue to use Shaklee products regularly; having completely change brands. We have registered some other members and enjoy income that gives us a substantial, though not total, offset against the price of the products we use. Now that my wife and I are both retired we are working to build our Shaklee income to a point where it will offset the retirement gap we have experienced as we left the world of being employed. Our Goal is to bring our Shaklee income up to about \$2,000 a month which will go a long way to offset the difference between our total income (which already included certain dividends) when we worked and our total current income which is reduced by about half of what our total pay checks had been. Now my wife and I will build this extra income working part-time to close that gap. It is truly a superior alternative to welcoming customers part-time at Wall Mart and can contribute much more toward taxes in years to come since the income has potential to continue growing even after my wife and I could no longer spend the time on our feet needed to carry a Wall Mart assignment.

While I appreciate the work of the FTC to protect consumers, I believe this proposed new rule has many unintended and burdensome consequences for direct sellers and that there are surely less burdensome alternatives available to the agency to achieve its goals. I support appropriate measures to protect consumers and I acknowledge that there are examples of companies within the network marketing industry that cause harm for us all as well as concern to the Commission. I trust that in further deliberations Commission Members will be able to approach to the problem in a fair manner that is not influenced by lobby's working for marketers in competing industries using classical marketing and distribution business models. I find that the Network Marketing business model, with its multi-level compensation for training others, is the fairest most ethical model for a marketing/distribution business ever designed. Absolutely nowhere else in business is true equal opportunity built into the business model itself.

Thank you for your time in considering my comments.

Sincerely,

Carl Peter Rautenstrauch